



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 30** SLS 09RS 33
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 21, 2009	4:58 PM	Author: ADLEY
Dept./Agy.: Revenue		
Subject: Personal Income Tax - Credit For Charitable Donations		Analyst: Greg Albrecht

TAX/INCOME/PERSONAL OR -\$969,000,000 GF RV See Note Page 1 of 1
Grants a non-refundable credit against state individual income tax (in lieu of a deduction) for gifts to charity claimed as federal itemized deductions. (gov sig)

Current law implicitly allows charitable contributions to be deducted on state personal income tax returns. To the extent they are part of excess federal itemized deductions (total itemized deductions in excess of the federal standard deduction), their proportionate share of that excess is being deducted on state returns by those filers who itemized on their federal returns.

Proposed law excludes gifts to charity from the calculation of excess federal itemized deductions on state returns, and instead provides a new non-refundable credit against state personal income tax liabilities equivalent to the sum of gifts to charity that have been properly claimed as itemized deductions on the taxpayer’s federal individual income tax return.

Effective for tax periods beginning after December 31, 2008 (the 2009 tax year, filed in the spring of 2010).

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$45,000	\$53,000	\$55,000	\$58,000	\$60,000	\$271,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$45,000	\$53,000	\$55,000	\$58,000	\$60,000	\$271,000

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	(\$969,000,000)	(\$969,000,000)	(\$969,000,000)	(\$969,000,000)	(\$969,000,000)	(\$4,845,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$969,000,000)	(\$969,000,000)	(\$969,000,000)	(\$969,000,000)	(\$969,000,000)	(\$4,845,000,000)

EXPENDITURE EXPLANATION

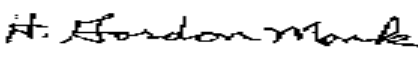
This deduction appeared on over 368,000 federal returns filed by Louisiana residents. Given the large number of affected returns and the substantial benefit provided by the credit, it seems likely the Department of Revenue would need at least one additional position to insure appropriate compliance by reviewing selected returns and handling taxpayer inquiries.

REVENUE EXPLANATION

Federal tax statistics for Louisiana residents report \$1.866 billion of charitable contributions claimed as itemized deductions for tax year 2006 (latest available). However, tax years 2005 and 2006 report sharply higher charitable deductions than prior years, and taxpayers in the next few years may give to charities at levels more consistent with the years after the 2000 -2001 recession. For this fiscal note a contribution level of \$1.5 billion will be utilized. Not all of this deduction amount will be lost to state tax revenues for two reasons, (1) the bill’s tax credit is nonrefundable and some taxpayers will not have liabilities sufficient to utilize all the credit available to them and, (2) the bill eliminates the inclusion of charitable gifts when calculating excess federal itemized deductions (this credit is provided in lieu of the deduction).

The \$1.5 billion aggregate contribution amount was treated as a new nonrefundable credit in a personal income tax micro-simulation model processing 2007 tax year returns (under 2009 tax parameters) for taxpayers who itemized on their federal returns. This total amount of available tax credit was allocated among tax filers in the model on the basis of their total itemized deductions. In addition, excess itemized deductions were reduced by 20% (charitable deductions share of total itemized deductions in the periods before 2005). The result of this exercise was a net reduction in State tax liabilities of \$969 million.

This revenue loss only reflects charitable giving behavior in the absence of a tax credit, and could be a minimum state tax revenue loss. This bill provides a credit that reimburses taxpayers for potentially all of their charitable contributions. Substantially more charitable giving could occur, and to the extent taxpayers, whose credits don’t exhaust their tax liabilities, give more, state tax revenue losses would be greater than under the current giving behavior, and revenue losses would be greater than depicted in the table above.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	<div> H. Gordon Monk Legislative Fiscal Officer</div>